



Fireman's Fund
Insurance Company

December 16, 1997

BBSF
12.11.8

Michael David Lichtenstein
Lowenstein, Sandler
65 Livingston Avenue
Roseland, NJ 07068-1791

FFIC CLAIM NO: 105-97-129940
INSURED: MARMON GROUP, INCORPORATED
SITE: Bunker Hill Facility/Coeur d'Alene Basin, Idaho

Dear Mr. Lichtenstein:

We have received your letter dated October 31, 1997 notifying us that the United States and the Coeur d'Alene Tribe are seeking to amend their complaints to add Group R Co., Inc. as a defendant. The plaintiffs seek to recover clean up costs and natural resource damages incurred at the Bunker Hill facility, including the Coeur d'Alene Basin, in Northern Idaho.

We understand that Group R Co., Inc. is seeking coverage for the above-mentioned claims under the following excess liability policies issued by Fireman's Fund Insurance Company and National Surety Corporation ("Fireman's Fund") to the Marmon Group, Inc.

POLICY	POLICY PERIOD	LIMIT
XLB 1060015	1/18/71-9/01/73	\$5MM xs \$100K
XLX 1366382	6/18/79-8/31/79	\$10MM xs \$40MM
XLX 1366433	8/31/79-8/31/80	\$10MM xs \$40MM
XLX 1436247	12/15/80-2/1/82	\$100MM xs \$100MM
XLX 1482416	2/01/82-10/1/82	\$10MM p/o \$100MM xs \$100MM
XLX 1395199	10/1/83-10/1/84	\$40MM p/o \$200MM xs \$190MM
XLX 1687455	10/1/84-10/1/85	\$20MM p/o \$200MM xs \$98MM

We also understand that Group R Co., Inc. is seeking coverage for this matter under the following excess liability policy issued by Fireman's Fund Insurance Company to the Pritzker Interests.

POLICY	POLICY PERIOD	LIMIT
XLX 1395138	10/1/82-10/1/83	\$20MM p/o \$80MM xs 220MM



Environmental Claims Facility, 777 San Marin Drive, Novato, CA 94988-3400

LS 003730

GRP "R" CDA dm - 0178

POLICY XLB 1060015

According to the information provided to us, Group R Co., Inc. is the successor by merger to the Golconda Corporation. Our insured first acquired an interest in Golconda Corporation in 1976 when the insured merged with the Cerro Corporation, which owned 85% of the shares in Golconda. Since policy XLB 1060015 predates the merger between Marmon and Cerro, it does not apply to any liability of Group R. Therefore, we must disclaim all indemnity and defense obligations to Group R Co., Inc. in this matter under policy XLB 1060015.

XLX POLICIES

With respect to the remaining excess liability policies, there is no duty to defend the insured under these policies. Further, Fireman's Fund has no duty to indemnify its insured in this matter, at least until all applicable underlying policies are exhausted.

Aside from the foregoing, from the information that has been forwarded to us, we are unable to determine what rights or coverage, if any, Group R Co., Inc. is entitled to concerning this matter. Accordingly, we request that you provide the following information and material when it becomes available:

1. Details pertaining to Group R's incurred costs, estimated dollar exposure, and volumetric share at the site.
2. Describe all waste, storage, processing, or disposal activities at the site.
3. Provide a history of the site, including the dates nature of Group R's ownership and operations.
4. Indicate when Group R first became aware of any pollution or environmental contamination relating to the site.
5. Describe the present status of any investigation or remediation at the site.
6. Provide a copy of the site characterization and the most recent site status pertaining to the contamination and/or remediation at the site.
8. Forward periodic status reports regarding any developments and/or proceedings relating to the site.
9. Advise of any settlement negotiations and all settlement offers and demands. Fireman's Fund requests the insured refrain from committing

LS 003731

any funds above the applicable limits of the underlying policies without prior notice to and approval from Fireman's Fund.

10. Identify by carrier, policy number, effective dates, limits, and policy type all of the policies under which Group R is seeking coverage.

11. Information regarding the impairment and/or exhaustion, if any, of all the potentially applicable underlying policies.

12. Copies of all demands, notices, claims, and/or suits or judicial proceedings pertaining to the site.

13. Any other information that would assist Fireman's Fund in evaluating this matter.

Neither this letter nor any investigation by Fireman's Fund is intended to waive any rights or obligations of either Group R or Fireman's Fund under any Fireman's Fund insurance policy. The above information is requested by Fireman's Fund without prejudice to any of its rights under its policies and we hereby reserve all of those rights, including but not limited to, the following:

1. Whether an occurrence, as defined by the policies, has taken place;
2. Whether property damage or bodily injury or personal injury, as defined by the policies, has taken place;
3. Whether property damage caused by an occurrence occurred during any Fireman's Fund policy period;
4. Whether the policies provide coverage with respect to equitable or injunctive remedies or statutory fines and penalties;
5. Whether the policies exclude coverage under the pollution exclusion;
6. Whether the policies provide coverage up to the level of the insured's involvement;
7. Whether there has been compliance with the notice provisions of the policies;
8. Whether the policies provide coverage for property damage to: (i) property owned or occupied or rented by the insured; (ii) property used by the insured; or (iii) property in the care, custody and control of the insured, or as to which the insured is for any purpose exercising physical control;
9. Whether the insured knew or should have known of any property damage or bodily injury prior to inception of the policies;

LS 003732

10. Whether the party seeking coverage is a named insured as set forth or defined in the policies. With regard to the Pritzker Interests, please advise us the relationship between this entity and Group R, and how it is involved at the site;

11. Whether prior consent was granted by Fireman's Fund for any amounts paid or incurred or any obligations entered into by the insured;

12. Whether the applicable limits of all applicable underlying policies of insurance have in fact been exhausted.

In addition to the above reservation of rights and the policy provisions referred to, Fireman's Fund specifically reserves the following additional rights:

1. Fireman's Fund reserves all of its rights under the terms and provisions of the policies involved herein including, but not limited to, those outlined in this letter;

2. Fireman's Fund reserves the right to assert other terms and provisions of the policies pending in the continuing coverage investigation and Fireman's Fund reserves the right to amend and supplement this reservation of rights letter at any time in the future;

3. Fireman's Fund reserves the right but not the duty to enter into settlement negotiations and conclude any reasonable settlement;

4. Fireman's Fund reserves the right to seek reimbursement from the insured of any and all monies paid towards settlement or judgment in the above-captioned matter and of monies spent at the site which constitute indemnification payments, for which it is later determined that there is no coverage;

5. Fireman's Fund reserves the right to file a declaratory relief action to determine any issues of coverage which have been raised by this letter or of which Fireman's Fund subsequently becomes aware;

6. Fireman's Fund reserves the right to disclaim indemnity under the policies for any claims and/or damages in connection with these matters;

7. Fireman's Fund reserves its rights as set forth above with respect to all counter claims, cross claims, or other additional party claims which may be raised at any time by any party involved in any litigation.

We look forward to receiving the requested information. If you have any questions, please contact me.

LS 003733

Michael David Lichtenstein
December 16, 1997
Page 5

Sincerely,

DS/

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Addressees:

Michael David Lichtenstein
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LS 003734